

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

**Date: November 23, 2016**

**Employer Identification Number:**

**Contact person - ID number:**

Number: **201707012**  
Release Date: 2/17/2017

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Scholarship Program  
C = Organization  
D = Employer  
F = Committee  
G = Individual  
H = Individual  
j = number  
k = number  
m dollars = dollar amount  
n dollars = dollar amount

Dear :

You asked for advance approval of your employer-related scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding employer-related scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding employer-related scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

**Description of your request**

You, together with C, will operate an employer-related scholarship program, the purpose of which is to support the pursuit of undergraduate degrees by children of employees of D. The F will administer the scholarship program, to be known as B.

D is partially owned by G, a substantial contributor to you, and his family and by H, a substantial contributor to C, and his family. In addition to providing Scholarship grants to children of employees of D, you and C may also elect to award Scholarship grants to children of employees of other companies that are partially owned by G and H and their respective families. All of the policies and procedures set forth herein with regard to Scholarship grants awarded to children of employees of D will likewise be applied to all Scholarship grants awarded by you and C.

The F is composed of individuals appointed by you and C. You will appoint one or two independent individuals to serve on the F, and C will likewise appoint one or two independent individuals to serve on the F. At all times, the number of individuals appointed by each you and C will be equal. An individual is deemed to be "independent" if such individual has no present or past employment or business relationship with D; no present or past role as a director, officer, or employee of you or C, as the case may be; and no family relationship with the family of G or H. In selecting individuals to serve on the F, each of the Boards will give strong preference to individuals knowledgeable about education.

B is publicized via notifications and materials that are distributed and made available to all D employees.

In order to be eligible to receive a Scholarship grant, the applicant must be the child, stepchild, or adopted child of a Qualified Employee of D. An individual is deemed a "Qualified Employee" if such individual has been employed by D for at least two years and such individual's annual income from D does not exceed m dollars. The Applicant must be a full-time student with a minimum cumulative grade point average of 3.0.

Applicants will be selected to receive Scholarship grants based on the following criteria, which should be reflected in the applicant's personal essay:

- Past academic achievement and the promise of future academic success
- Qualities of good citizenship, leadership, and community service
- Prior academic honors
- Financial need
- Extracurricular activities

Although not required, applicants are encouraged to submit up to three written recommendations from teachers, administrators, and/or community leaders.

The F will weigh all of the information and data submitted by each Applicant. Applicants will be evaluated and selected on the basis of the quality of their responses to, and/or satisfaction of, the eligibility criteria stated above. All F determinations of Scholarship recipients shall be recorded in writing. There is no requirement that Scholarship grant recipients pursue any particular areas of study, nor is there any requirement or expectation that Scholarship grant recipients commit to work for, or render services to or for the benefit of, D.

It is anticipated that each year the F will award up to j Scholarship grants in the amount of n dollars, depending on the availability of funds. In any given year, all Scholarship grant awards shall be for the same amount, based on the availability of funds.

The terms and conditions of the Scholarship grants will be contained in a grant letter sent to each recipient. The recipient will be required to communicate his or her acceptance of the Scholarship grant, as well as agreement to the attendant terms and conditions, by way of a written acceptance letter to the F. The terms and conditions of each Scholarship grant will include the amount of the award; the name of the school to be attended by the grant recipient; the requirement to maintain a grade point average of at least 3.0; and your right to revoke the grant at any time if the terms of the scholarship are violated.

All Scholarship grants shall be for one academic year. Individuals who have previously received a Scholarship grant may reapply for additional Scholarship grants for any year during which such individuals maintain eligibility under the general eligibility criteria.

As part of the written acceptance of the Scholarship grant, the recipient is required to acknowledge that you may, at your discretion, request school-issued information regarding the recipient's academic progress (such as a transcript or progress report), and that the school shall be authorized to disclose such information to you. If, at any time, the F deems it appropriate to terminate a Scholarship grant due to a violation of the grant terms, the F will issue a written notification to the Scholarship grant recipient of its decision to do so. The recipient may request an in-person meeting with the F to request reconsideration of the revocation decision, and the response to such request shall be determined in the sole discretion of the F.

Additionally, if the F determines that any portion of a Scholarship grant award has been misused, they retain the right to require the recipient to repay such misused funds.

The F will receive and review grantee reports annually to monitor compliance with the Scholarship grant terms; investigate any possible diversion of funds from their intended purposes; and take all reasonable and appropriate steps to recover diverted funds, ensure that other grant funds are used for their intended purposes, and withhold further payments to grantees who are deemed likely to divert funds.

The F will maintain appropriate records and case histories of all recipients of Scholarship grants.

There are currently close to k Qualified Employees working for D. The number of Qualified Employees whose children will be eligible to apply for Scholarship grants is sufficiently large and open-ended so as to constitute a "charitable class." Furthermore, the policies and procedures adopted to govern the Scholarship are designed to ensure that the Scholarship functions exclusively in furtherance of charitable and educational purposes. Employees of D are not entitled to receive other forms of compensation in lieu of the Scholarship, nor are employees guaranteed that their children will be selected to receive a Scholarship grant. There is no additional employment requirement imposed on

any employee whose child receives a Scholarship grant, nor is there any employment requirement imposed on the recipient himself or herself. Employment with D as a "Qualified Employee" is used exclusively as a factor to determine initial eligibility, and the definition of "Qualified Employee" is structured to ensure that highly-compensated employees of D are not eligible.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Revenue Procedure 76-47, 1976-2 C.B. 670, provides guidelines to determine whether grants a private foundation makes under an employer-related program to employees or children of employees are scholarship or fellowship grants subject to the provisions of Code section 117(a). If the program satisfies the seven conditions in sections 4.01 through 4.07 of Revenue Procedure 76-47 and meets the applicable percentage tests described in section 4.08 of Revenue Procedure 76-47, we will assume the grants are subject to the provisions of Code section 117(a).

You represented that you provide scholarships to attend an educational institution to children of employees of a particular employer without regard to either the 25% limitation or the 10% limitation described in Revenue Procedure 76-47. Instead, you will award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the particular employer.

You represented that your procedures for awarding grants under this program will meet the requirements of Revenue Procedure 76-47. In particular:

- An independent selection committee whose members are separate from you, your creator, and the employer will select individual grant recipients.
- You will not use grants to recruit employees nor will you end a grant if the employee leaves the employer.
- You will not limit the recipient to a course of study that would particularly benefit you or the employer.

**Other conditions that apply to this determination:**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination is in effect as long as your procedures comply with sections 4.01 through 4.07 of Revenue Procedure 76-47 and with either of the percentage tests of section 4.08. If you establish another program covering the same individuals, that program must also meet the percentage test.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at::

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements